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# ***PRELICENSING EDUCATION***

## ***Educational Objectives***

### California Accident and Health Agent Examination

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## **OVERVIEW**

For purposes of the prelicensing curriculum and examination, the successful applicant is defined as an entry-level individual of an agency or an insurer. Twenty hours of accident and health agent prelicensing education must at a minimum include the material in these objectives.

Section 1677 of the California Insurance Code (CIC) requires that the Accident and Health agent examination be of sufficient scope to satisfy the Insurance Commissioner that an applicant has basic knowledge of insurance and insurance laws.

Effective January 1, 2008, California Insurance Code Sections regarding the Life Agent license were amended to include provisions for an "Accident and Health" agent license. Specifically, Section 1626 (a) (2) defines an "Accident and Health" Agent licensee as authorized to transact insurance coverage for sickness, bodily injury, or accidental death and may include benefits for disability income.

The new accident and health agent will be introduced and trained to sell and service all the lines under that authority. Basic knowledge is what this new accident and health agent needs to know at the start of one's career.

- (1) Basic knowledge including:
  - \* Basic accident and health insurance concepts and principles
  - \* Responsibilities and authority of an accident and health insurance agent
  - \* Commonly written accident and health insurance products
  - \* Insurance code and ethics
  - \* Senior health products
  - \* Insurance coverage for sickness, bodily injury, or accidental death
  - \* Benefits for disability income insurance
  - \* Twenty-four hour care coverage
  - \* Long-term care insurance
- (2) With a general understanding of the following:
  - \* Government mandated disability programs (e.g. workers compensation, state disability insurance)
  - \* Disability insurance
  - \* Disability income insurance
- (3) In addition, this license authorizes the transaction of insurance coverage on:

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- \* Credit Disability Insurance - Disability insurance protecting the balance of debt, which provides a monthly benefit, during the disability of the insured, during the term of coverage.
  - \* Disability Income Insurance - Insurance that provides income payments to the insured wage earner when income is interrupted or terminated because of illness, sickness, or accident. It also includes critical illness, or accident and death benefits. Policies are available as short-term or long-term coverage.
    - The short-term disability income policy provides benefits, often a portion of lost income, for a temporary period of time defined in the policy. The likelihood is that the insured can return to work or restore the lost income.
    - The long-term disability income policy provides benefits, often a portion of lost income, lasting for an extended period of time as defined in the insurance policy. The likelihood is that the insured can not return to work or restore the lost income.
  - \* Disability Income Rider - A life insurance policy addendum providing income payments to the policyholder, and/or waiving premium payments due, when income is interrupted or terminated because of illness or injury.
  - \* Health - A policy that will pay specifies sums for medical expenses or treatments. Health policies can offer any options and vary in their approaches to coverage. Health also includes all senior health products (e.g. Medicare Advantage and Medicare Part D)
  - \* Long-term care insurance - Coverage that, under specified conditions, provides skilled nursing, intermediate care, or custodial care for a patient (generally over age 65) in a nursing facility or his or her residence following an injury (additional training required).
  - \* Twenty-Four Hour Coverage - The joint issuance of a workers' compensation policy with a disability insurance policy, health care service plan contract, or other medical insurance coverage for nonoccupational injuries and illnesses.
- (4) Accident and health agents do not have authority to transact life, annuity, and fire and casualty insurance.
- (5) No prelicensing or continuing education course shall include sales training, motivational training, self-improvement training, or training offered by insurers or agents regarding new products or programs (Section 1749.1(b) of the CIC).

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#### **EDUCATIONAL OBJECTIVES**

The educational objectives are derived from the following pages. They are derived from the curriculum outline contained in Title 10, Chapter 5, Subchapter 1, Article 6.5, Section 2187.1 of the California Code of Regulations (CCR).

#### **ETHICS AND CALIFORNIA INSURANCE CODE**

The educational objectives for Ethics and California insurance Code are incorporated in the following pages. The individual objectives may be identified by “(CIC XXXX)” or “(Ethics)” or “(Code).” References to “Code” or “CIC” in the educational objectives mean the California Insurance Code. The “General” Ethics and California Insurance Code educational objectives that apply to all lines of authority appear in Appendix A at the end of this document. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

#### **THE EXAMINATION**

The applicant for an accident and health agent license will, without any aids (e.g. reference materials, electronic aids):

*Correctly answer a minimum of 70 percent of the questions. The examination will be one and a half hours (or 90 minutes) and will be a 75-question multiple-choice examination.*

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Examinations are administered at the following locations beginning at 8:30 a.m. and 1:00 p.m., Monday through Friday except on state holidays:

**Sacramento:**

California Department of Insurance  
Examination Site  
320 Capitol Mall,  
1st Floor  
Sacramento, California 95814

**Los Angeles:**

California Department of Insurance  
Examination Site  
300 South Spring Street, North Tower,  
Suite 1000  
Los Angeles, California 90013

**San Francisco:**

California Department of Insurance  
Examination Site  
45 Fremont Street  
22nd Floor  
San Francisco, California 94105

**San Diego:**

California Department of Insurance  
Examination Site  
1350 Front Street  
Room 4050  
San Diego, California 92101

Check-in is at 8:10 a.m. for the 8:30 a.m. examination, and check-in is at 12:40 p.m. for the 1:00 p.m. examination.

In addition, the California Department of Insurance offers a license examination that is usually administered on two Saturdays of the month. This examination is held at the following location:

**Clovis:**

California Department of Insurance  
Examination Site  
San Joaquin College of Law  
901 Fifth Street,  
MCLE Room 213  
Clovis, California 93612

Note that this examination begins at 8:30 a.m. and check-in time for this examination is 8:00 a.m.

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For additional information on license examinations (i.e. online examination scheduling, fingerprint requirements, examination admittance and forms of identification, check your scheduled examination date, check your examination results), please review the following link:

<http://www.insurance.ca.gov/0200-industry/0010-producer-online-services/0200-exam-info/index.cfm>

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#### **TABLE OF CONTENTS**

- I. GENERAL INSURANCE** (25 percent of questions)
  - A. Basic Insurance Concepts and Principles
  - B. Contract Law
  - C. The Insurance Marketplace
    - 1. Distribution Systems
    - 2. Producers
    - 3. Insurers
    - 4. Market Regulation – General
    - 5. Fair Claims Settlement Practices Regulations
  
- II. ACCIDENT AND HEALTH INSURANCE** (65 percent of questions)
  - A. Medical Expense Insurance  
Senior Health Products
  - B. Medicare and Medi-Cal  
Disability Insurance
  - C. Worker's Compensation
    - 1. Twenty-Four Hour Coverage and General Concepts
  - D. Social Insurance System
  - E. Underwriting, Pricing, Claims
  - F. Financial Structure of Insurers
  
- III. LONG TERM CARE** (5 percent of questions)
  - A. Long Term Care
  
- IV. HEALTH AND DISABILITY INSURANCE** (5 percent of questions)
  - A. Basic Accident and Health Insurance Principles and Concepts
  - B. Health Insurance and Counseling Advocacy Program (HICAP)
  - C. Disability Income Insurance

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#### **I. GENERAL INSURANCE** (25 percent)

##### **I. A. Basic Insurance Concepts and Principles**

1. Be able to identify examples of insurance (Section 22 of the CIC).
2. Be able to recognize the definition of risk.
3. Be able to differentiate between a pure risk and a speculative risk.
4. Be able to identify a definition of peril.
5. Be able to identify a definition of hazard.
6. Be able to differentiate between moral, morale, and physical hazards.
7. Be able to identify the definition of the law of large numbers.
8. Be able to identify a definition or the correct usage of the term loss exposure.
9. Be able to recognize the requisites of an ideally insurable risk.
10. Be able to identify the definition of insurable events (Section 250 of the CIC).
11. Be able to identify and apply the definition of insurable interest, and indemnity, and be able to recognize the applicability of these terms to a given situation.
12. Be able to identify the steps in the underwriting process.
13. Be able to identify the meaning of adverse selection and profitable distribution of exposures.

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#### **I. GENERAL INSURANCE**

##### **I. B. Contract Law**

1. Be able to identify and compare contract law and tort law.
2. Be able to identify the four major elements of a contract
  - a. agreement, offer and acceptance;
  - b. competent parties;
  - c. legal purpose; and
  - d. consideration.
3. Be able to identify the meaning and effect of the following special characteristics of an insurance contract:
  - a. contract of adhesion;
  - b. conditional contract;
  - c. aleatory;
  - d. unilateral;
  - e. personal;
  - f. utmost good faith;
  - g. indemnity.
4. Be able to identify the term "insurance policy" (Section 380 of the CIC).
5. Be able to identify the meaning and effect of each of the following on a contract:
  - a. fraud (Section 338, 1871.1 - 1871.4 of the CIC);
  - b. concealment (Section 330-339 of the CIC);
    - i. Be able to identify information that does not need to be communicated in a contract: (Section 333 of the CIC)
      - (1) known information
      - (2) information that should be known
      - (3) information which the other party waives
      - (4) information that is not material to the risk
  - c. warranty (Section 440-445, 447 of the CIC);
    - i. know that a representation in an insurance contract qualifies as an implied warranty.
  - d. materiality (Section 334 of the CIC);
    - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.



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- e. representations (Section 350-361 of the CIC);
    - i. know when a representation can be altered or withdrawn (Section 355 of the CIC)
    - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC).
  - f. misrepresentation (Section 780-784 of the CIC).
6. Be able to identify six required specifications for all insurance policies (Section 381 of the CIC).
- a. know that the financial rating of the insurer is not required to be specified in the insurance policy (Section 381 of the CIC).
7. Be able to identify:
- a. the meaning of the term rescission;
  - b. when an insurer has the right of rescission (Section 331, 338, 359, 447 of the CIC).
    - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC)
8. Given an insurance situation, be able to identify the following terms correctly:
- a. application, policy, rider;
  - b. cancellation, lapse, renewal and nonrenewal, grace period;
  - c. rate/premium, earned and unearned premium;
  - d. preferred, standard, and substandard risk.
9. Be able to identify the requirements of:
- a. the Fair Credit Reporting Act;
  - b. Medical Information Bureau.

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C1. Distribution Systems**

1. Be able to identify a definition of the following marketing systems:
- a. agency;
  - b. direct Response;
  - c. home service.

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#### **I. GENERAL INSURANCE**

#### **I. C. The Insurance Marketplace**

#### **I. C2. Producers**

1. Given a situation involving the legal relationship of an accident and health agent and either a principal (an insurer or agency principal) or an insured/applicant, be able to assess:
  - a. the legal relationship;
  - b. the responsibilities and duties of each;
  - c. the effect of the types of authority an agent may have (express, implied, apparent).
2. With regard to the underwriting of applicants and/or insureds, be able to:
  - a. identify a producer's responsibilities;
  - b. differentiate between the limitations placed on insurer pre-selection and post-selection activities.
3. Be able to identify a definition of the following:
  - a. Accident and Health agent (Section 1626 of the CIC);
  - b. Life and Disability Analyst (Section 32.5 of the CIC).
4. Be able to differentiate between a life agent and a life analyst (Section 32, 32.5, 1831-1849 of the CIC).
5. Be able to identify the Code definition of transact and why the definition is important (Section 35, 1621-1624, 1631, 1633 of the CIC).
6. Be able to identify:
  - a. that the Code prohibits certain actions by unlicensed persons (Section 1631 of the CIC);
  - b. the penalty for such ((a) above) prohibited actions (Section 1633 of the CIC)
7. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
  - a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
  - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
8. Be able to identify the differences between the terms "agent" and "broker" with respect to their relationship with insurers and with their insureds.

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- a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (Section 31 of the CIC).
  - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (Section 33 of the CIC).
  - c. know that there is no life broker or health broker
9. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed (Section 1704.5 of the CIC).
10. Be able to recognize:
- a. the differences between the authority of an agent and a solicitor;
  - b. that there is no such license as “accident and health solicitor” (Section 1704(d) of the CIC)
  - c. that an insurance solicitor is a natural person employed to aid an insurance agent or insurance broker in transacting insurance other than life (Section 1624 of the CIC).
11. For Insurance Agent’s Errors & Omissions insurance, be able to identify:
- a. the types of coverages available;
  - b. the types of losses commonly covered and not covered;
  - c. the need for the coverage.
12. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (Section 703 of the CIC).
13. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).
14. Be able to identify the Code requirements for the following:
- a. an agency name, use of name (Section 1724.5, 1729.5 of the CIC);
  - b. change of address (Section 1729 of the CIC);
  - c. records (Section 10508 of the CIC);
  - d. filing license renewal application (Section 1720 of the CIC);
  - e. printing license number on documents (Section 1725.5 of the CIC);
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Section 1666, 1668-1669, 1738 of the CIC).

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16. Be able to identify the importance and the scope of the California Insurance Code regarding:
  - a. the filing of a notice of appointment to transact accident and health insurance (Section 1704 and 1705 of the CIC);
  - b. an inactive license (Section 1704a of the CIC)
  - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).
16. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Section 1708-1712.5 of the CIC).
18. Be able to identify and apply:
  - a. the definition of the term "fiduciary"
  - b. producer fiduciary duties described in the Code (Section 1733-1735 of the CIC).
19. Be able to identify the continuing education (CE) requirements for:
  - a. an accident and health agent (Section 1749.3 of the CIC);
  - b. an agent writing Long Term Care Insurance (Section 10234.93 of the CIC);
  - c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care.
    - (i) The total hours of CE required are not increased by (b) or (c);
  - d. life-only agents and accident and health agents also licensed as a fire and casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.
20. Be able to identify the definition of an administrator (Section 1759 of the CIC).
21. Concerning a Life and Disability Insurance Analyst license, be able to identify:
  - a. the licensing requirements (Section 1836 of the CIC);
  - b. requirements and prohibitions for charging fees (Section 1848 of the CIC).
22. Know that the interpretation of policy provisions is not a primary objective of insurance regulation.

The following Educational Objective is derived from the codes of ethics and California Insurance Code of major industry organizations and is the basis for accident and health examination questions.

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21. Be able to identify and apply the meaning of the following:
  - a. place the customer's interest first;
  - b. know your job - and continue to increase your level of competence;
  - c. identify the customer's needs and recommend products and services that meet those needs;
  - d. accurately and truthfully represent products and services;
  - e. use simple language; talk the layman's language when possible;
  - f. stay in touch with customers and conduct periodic coverage reviews;
  - g. protect your confidential relationship with your client;
  - h. keep informed of and obey all insurance laws and regulations;
  - i. provide exemplary service to your clients;
  - j. avoid unfair or inaccurate remarks about the competition.
22. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior.
23. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (Section 791.03 of the CIC).
24. Be able to identify the alterations an agent may make to an applicant's written disability application (Section 10382 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C3. Insurers**

1. Be able to differentiate between:
  - a. admitted and nonadmitted insurers (Section 24-25 of the CIC);
  - b. domestic, foreign and alien insurers (Section 26-27 of the CIC).
2. Be able to identify the functions of the following major operating divisions of insurers: Marketing or Sales, Underwriting, Claims, Actuarial.
3. Be able to identify that a primary insurer is the insurance company who transfers its loss exposure to another insurer in a reinsurance transaction.
4. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, (CIC 703).
5. Be able to identify who may be an insurer (Section 150 of the CIC).

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- a. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).
- 6. Be able to differentiate between Mutual, Stock and Fraternal insurers.
  - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company (Section 11535 of the CIC).
- 7. Be able to identify the meaning of post-claims underwriting and what Code restrictions apply (Section 10384 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C4. Market Regulation – General**

- 1. Be able to identify:
  - a. the California Insurance Code (CIC) and how it may be changed (Code);
  - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
  - c. how the insurance commissioner is selected and the responsibilities of the position (Section 12900, 12921 of the CIC).
- 2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Section 790-790.10 of the CIC).
- 3. Be able to identify the privacy protection provisions of:
  - a. the Gramm-Leach-Bliley Act
    - i. Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
    - ii. Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.
  - b. The California Financial Information Privacy Act (SB 1)
  - c. Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (CIC 791-791.26);
  - d. Cal-GLBA/"California Financial Information Privacy Act" Section 4050 CA Financial Code.
- 4. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Section 1011, 1013, 1016 of the CIC).
- 5. Be able to define an insolvent insurer (Section 985 of the CIC).

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- a. Know the definition of Paid-in Capital (Section 36 & 985 of the CIC);
  - b. Know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (Section 1013 of the CIC).
6. Be able to identify the purpose and scope of the Code concerning the California Life and Health Insurance Guarantee Association (CLHIGA) (Section 1067.02(a)(1), 1067.02(b)(1) of the CIC).
7. Be able to identify the basic coverages and exclusions of CLHIGA (Section 1067-1067.18 of the CIC)
8. Be able to identify:
- a. common circumstances that would suggest the possibility of fraud;
  - b. efforts to combat fraud (Section 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC;
  - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
9. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (Section 1871, 1871.4 of the CIC).
10. Be able to identify the requirements for discontinuance and replacement of Group Disability Insurance;
11. Be able to identify discriminatory practices prohibited by the California Insurance Code (Section 10140-10145 of the CIC).
12. Be able to identify the meaning of (as used in the CIC):
- a. shall and may (Section 16 of the CIC);
  - b. person (Section 19 of the CIC).
13. Be able to identify the requirements for notice by mail (Section 38 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C5. Fair Claims Settlement Practices Regulations**

- 1. Be able to identify a definition of the following:
  - a. Claimant (Section 2695.2(c), Title 10 of the CCR);
  - b. Notice of Legal Action (Section 2695.2(o), Title 10 of the CCR);

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- c. Proof of Claims (Section 2695.2[o], Title 10 of the CCR);
- 2. Be able to identify File and Record Documentation (Section 2695.3, Title 10 of the CCR)
- 3. Be able to identify Duties Upon Receipt of Communications (Section 2695.5, Title 10 of the CCR;
- 4. Be able to identify Standards for Prompt, Fair and Equitable Settlements (Section 2695.7(a), (b), (c), (g), and (h), Title 10 of the CCR)

## **II. ACCIDENT AND HEALTH INSURANCE** (65 percent)

### **II. Accident and Health Insurance**

#### **II. A. Medical Expense Insurance**

- 1. Be able to identify the:
  - a. types of plans (e.g. Basic, Comprehensive Major Medical, Supplemental Major Medical);
  - b. plan structure (Health Maintenance Organization, Preferred Provider Organization, Exclusive Provider Organization, Self Funding, Indemnity, Dual Choice Plans);
  - c. types of plans:
    - i. Point of Service (POS)
    - ii. Medical Savings Accounts (MSAs)
    - iii. Flexible Spending Accounts (FSAs)
    - iv. Health Reimbursement Accounts (HRAs)
    - v. High Deductible Health Plans (HDHPs) and Health Savings Accounts (HSAs)
    - vi. Consumer Driven Health Plans (CDHPs)
    - vii. Employer self-funded health plans
  - d. benefit structure (scheduled or usual, customary, reasonable)
  - e. optional coverages
    - i. Dental
    - ii. Vision
    - iii. Prescription Drug Card
    - iv. Supplemental Accident
  - f. contract issues and clauses (Family Deductible, Grace Period, Waiting Periods, Pre-existing conditions, Elimination Periods, Right to terminate, Coordination of Benefits, Take-over Benefits - coinsurance & deductible carryover; no loss, no gain, First dollar coverage, Restoration of Benefits);
  - g. Extension of Benefits (Consolidated Omnibus Budget Reconciliation Act [COBRA] and Cal-COBRA, family or medical leave, maternity)



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- h. exclusions and limitations.
2. Be able to identify that the Department of Insurance has jurisdiction over entities that provide coverages designed to pay for health care providers' services and expenses unless the health care providers are appropriately licensed or certified by other governmental agencies (Section 740 of the CIC).
3. Be able to identify how and why each of the following applies to eligibility and/or rating factors to affect rating structures:
- a. demographics (gender, age, occupation);
  - b. industry;
  - c. location, zip code;
  - d. carrier history;
  - e. medical history:
    - i. chronic or ongoing conditions;
    - ii. catastrophic conditions;
    - iii. pregnancies;
    - iv. disabled employees and dependents (not actively at work, Extended benefits of a former carrier);
  - f. contribution (policy – contributing, non-contributing);
  - g. participation (employees & dependents – covered, eligible).
4. Be able to identify the regulatory requirements for group insurance:
- a. eligible groups and insureds (Section 10202 of the CIC);
  - b. dependents of insured employees (Section 10203.4 of the CIC);
  - c. types of policies and premiums (Section 10200 of the CIC);
  - d. incontestability (Section 10206 of the CIC);
  - e. war, military, and aviation risk (Section 10206.5 of the CIC);
  - f. misstatement of age (Section 10208 of the CIC);
  - g. certificate of insurance (Section 10209 of the CIC);
  - h. conversion privilege (Section 10209 of the CIC);
  - i. conversion period coverage (Section 10209 of the CIC);
  - j. blanket insurance (Section 10220, 10222 of the CIC)
5. Be able to identify the impact of regulatory issues on the Health industry
- a. Employee Retirement Income Security Act (ERISA);
  - b. COBRA;
  - c. Americans with Disabilities Act (ADA);
  - d. Family and Medical Leave Act (FMLA);
  - e. maternity;
  - f. Health Insurance Portability and Accountability Act (HIPAA);

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- g. Cal-COBRA.

## **II. ACCIDENT AND HEALTH INSURANCE**

### **II. Senior Health Products**

#### **II. B. Medicare and Medi-Cal**

1. For Medicare Products, be able to identify who is eligible for coverage:
  - a. aged 65;
  - b. Social Security Disability (SSDI) – two years;
  - c. End Stage renal Disease (ESRD).
2. Be able to identify Medicare Products:
  - a.. Original Medicare
  - b. Medicare Advantage plan
    - i. HMO and PPO models
    - ii. Private Fee For Service plans (PFFS)
    - iii. Special Needs Plans (SNP)
    - iv. Demonstration Plans for ESRD or chronic or serious medical conditions
  - c. Medicare prescription drug plans
3. For Medicare Part A (Hospital Insurance), be able to define:
  - a. inpatient coverage,
  - b. Benefit period
  - c. deductibles and
  - d.. copayments;
4. For Medicare Part B – (Medical Insurance) be able to define:
  - a. Enrollment (and that a monthly premium is required)
    - i. know that enrollment in Medicare Part B can be delayed when employer coverage is primary due to the active employment of the individual at age 65 (or younger than 65 with ESRD), or their spouse, or a parent of a disabled dependent.
  - b. Benefits
    - i. Medical and health services
    - ii. Physicians and surgeons
  - c. Deductibles
  - d. Coinsurance
5. For Medicare Part C (Medicare Advantage) be able to describe the managed care aspects of the coverage health care organizations provide coverage

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6. For Medicare Part D (Prescription Drug Plan) be able to identify:
  - a. Coverage is optional – Penalties for non-creditable coverage
  - b. Premiums, deductibles and copayments
7. Be able to identify how Medicare enrollment periods:
  - a. Initial Enrollment Period (IEP)
  - b. Annual Enrollment Period (AEP)
  - c. Open Enrollment Period (OEP)
  - d. Special Enrollment Period (SEP)
8. Be able to identify how Medicare claims payments are handled in the Original Medicare Fee for Service program:
  - a. How Medicare claims are submitted;
  - b. “Medicare assignment” vs. non-assignment
  - c. Contracted participating providers and suppliers
  - d. Medicare providers required to submit claims
  - e. What information is provided by a “Medicare Summary Notice” (MSN)
  - f. Exclusions
  - g. Rights of Appeal
9. With regard to Medicare Supplement Policies, be able to identify:
  - a. The NAIC standardized Medicare Supplement policies and the gaps in Medicare coverage they are designed to fill.
    - i. A through J including high deductible plans
    - ii. K and L
    - iii. Medicare Select plans
  - b. California Insurance Code (CIC) requirements regarding the following:
    - i. Benefits required in each standardized plan (Section 10192.8 of the CIC) and Medicare Select plans (Section 10192.10 of the CIC)
      - (1) know that insurers offering Medigap policies must offer Medicare Supplement Plan A that contains only the core benefits.
      - (2) open enrollment period described in Section 10192.11 of the CIC and application to Section 10192.18 of CIC the application questions
      - (3) Guaranteed Issue periods described in Section 10192.12 of the CIC and application questions
      - (4) permitted commissions (Section 10192.16 of the CIC)
      - (5) appropriate sales and replacement (Section 10192.20 of the CIC)

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10. For Medi-Cal, be able to identify:
  - a. Purpose
  - b. Eligibility – who is eligible, including those with a Share of Cost

## **II. ACCIDENT AND HEALTH INSURANCE**

### **II. Disability Insurance**

### **II. C. Worker's Compensation**

#### **II. C.1. Twenty-Four (24) Hour Coverage and General Concepts**

1. Be able to be able to identify:
  - a. what "24 Hour coverage" is;
  - b. how "24 Hour coverage" concept differs from the policies that it is designed to replace (Section 1749.02 of the CIC).
2. Be able to identify the effect on the legal relationship between the employee and the employer that was intended when workers compensation laws were written.
3. Be able to identify situations where workers compensation coverage is required by law and the methods used to provide the coverage.
4. Be able to identify how the coverage provided by a workers compensation policy in California is determined and who pays the premium.
5. Be able to recognize common circumstances where workers compensation policies would or would not provide coverage for an injury or sickness.
6. Be able to identify the four different types of benefits provided.
7. Be able to identify that covered medical expenses have no time or dollar limits.
8. Be able to identify reasons why Employers Liability coverage is necessary in addition to workers compensation.
9. Be able to identify the agent's education requirement that authorizes the accident and health agent to sell Workers' Compensation coverage (Section 1749.33[d] of the CIC).

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#### **II. ACCIDENT AND HEALTH INSURANCE**

##### **II. Disability Insurance**

##### **II. D. Social Insurance System**

1. Be able to differentiate between the characteristics of social and private insurance.
2. Be able to identify the Social Security system's requirements to be partially insured or fully insured.
  - a. Be able to identify the term blackout period and its effect on the surviving spouse benefits.
3. Be able to identify the kinds of benefit payments paid and the insured status required for the following types of benefits:
  - a. survivor(s);
  - b. disability;
  - c. retirement;
  - d. Medicare.

#### **II. ACCIDENT AND HEALTH INSURANCE**

##### **II. E. Underwriting, Pricing, Claims**

1. Be able to identify the following and their role in the underwriting process:
  - a. Medical Information Bureau;
  - b. attending physician's statement
  - c. know what is required when an applicant reveals conditions that require more information.
  - d. standard, substandard, and preferred risks.
2. Be able to identify that there are standards established for insurers requiring them to avoid unfair underwriting for the risk of HIV or AIDS in California (Section 799 of the CIC).
3. Be able to identify:
  - a. mortality cost;
  - b. insurer expenses;
  - c. investment return.

#### **II. ACCIDENT AND HEALTH INSURANCE**

##### **II. F. Financial Structure of Insurers**

1. Be able to identify the NAIC or California Accident and Health insurer

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requirements regarding the investment of assets

2. Be able to identify:
  - a. earned surplus;
  - b. policy dividends.
3. Be able to identify the major financial reports insurers are required to make.

### **III. LONG TERM CARE (5 percent)**

#### **III. A. Long Term Care (Section 10231 of the CIC)**

1. Regarding Long Term Care Insurance, be able to identify:
  - a. why this coverage might be needed (Medicare limitations, Medi-Cal eligibility);
  - b. evaluations to make before purchasing;
  - c. the types of benefits available (nursing home, assisted living, home care, hospice, respite care, adult day care);
  - d. the triggers for benefits;
  - e. ways to issue contracts (individual, group, endorsement to life policy);
  - f. types of contract limits (daily benefits and policy maximum limits);
  - g. guaranteed renewability and rate increases.
2. Be able to identify the California Insurance Code requirements regarding Long Term Care policies:
  - a. long-term care Insurance definition;
  - b. Nursing Facility and Residential Care Only, Home Care, Comprehensive Policy (CIC 10232.1);
    - i. know that the following are standard levels of care:
      - (1) skilled nursing care;
      - (2) intermediate nursing care;
      - (3) non-skilled nursing care;
      - (4) assisted living;
      - (5) personal care;
      - (6) home health care;
      - (7) home care;
      - (8) community based.
  - c. suitability standards
  - d. marketing standards and responsibilities including Health Insurance Counseling and Advocacy Program (HICAP) (Section 10234.93 of the CIC).
  - e. honesty, good faith and fair dealing (Section 10234.8 of the CIC)

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- f. requirement to offer inflation protection and signed rejection (Section 10237.1 and 10237.5 of the CIC).
  - g. types of policies
    - i. tax qualified
    - ii. non-tax qualified
  - h. California Partnership for Long-Term Care
3. Consumer protection regarding long-term care insurance:
- a. Be able to identify the provisions about duty of honor, good faith, and fair dealing (Section 10234.8 of the CIC);
  - b. Be able to identify the provisions about replacement of long term care insurance unnecessarily (Section 10234.85 of the CIC);
  - c. Be able to identify the provisions about advertisement and the “cold lead device” disclosure (Section 10234.9(c) of the CIC);
  - d. Be able to identify the provisions about replacement coverage (Section 10234.97(a) and (b) of the CIC).

#### **IV. HEALTH AND DISABILITY INSURANCE (5 percent)**

##### **IV. A. Basic Accident and Health Insurance Principles and Concepts**

1. Be able to identify and/or apply your understanding of the following:
- |    |                        |                     |                       |
|----|------------------------|---------------------|-----------------------|
| a. | extension of benefits  | waiting period      | deductible            |
|    | elimination period     | probationary period | copayment             |
|    | preexisting conditions | corridor deductible | managed care          |
|    | stop-loss provision    | waiver of premium   | coinsurance           |
|    | gatekeeper concept     | master policy owner | accident vs. sickness |
- b. policies - cancellation and renewability features (e.g. cancelable, noncancelable, guaranteed renewable, noncancelable-guaranteed renewable)
2. Be able to identify and differentiate between the major kinds of insurance mechanisms:
- a. Service type (e.g. Blue Cross & Blue Shield; HMO's);
  - b. Indemnity type (e.g. Insurers, MET's, PPO's, EPO's);
  - c. Self funding;
  - d. Other (e.g. associations, franchises, trusts).
3. Be able to identify the advantages and disadvantages of individual vs. group coverage.

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4. Be able to identify what constitutes eligibility for "group" coverage (e.g. employer and employee relationship, associations, franchise).
  - a. waiting period
  - b. probationary period
5. With respect to group programs, be able to identify the following terms:
  - a. contributory vs. non contributory;
  - b. blanket policies;
  - c. occupational vs. nonoccupational;
  - d. third party administrator;
  - e. coordination of benefits.
6. Be able to identify:
  - a. the types of providers (physicians, hospitals, urgent care centers, home health care etc.);
  - b. provider contacts (e.g. PPO's, HMO's, EPO's).
7. Be able to identify a definition of the following limited insurance policies:
  - a. travel accident;
  - b. specified and dread disease and critical illness;
  - c. hospital income and hospital confinement indemnity;
  - d. accident only;
  - e. credit;
  - f. blanket.
  - g. health
8. Be able to describe the ways how limited benefit plans are paid:
  - a. policies that provided benefits for expenses incurred for an accidental injury only:
  - b. policies that pay fixed dollar amounts for specified diseases or other specified impairments:
  - c. policies that provide benefits for specified limited services:
  - d. indemnity policies and other policies that pay a fixed dollar amount per day, excluding long term care policies.
9. Be able to identify other sources of coverage that should be considered when determining a family's health or disability insurance needs (e.g. workers compensation, social security, Medicare, work related benefits, etc.)



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#### **IV. HEALTH AND DISABILITY INSURANCE**

##### **IV. B. Health Insurance and Counseling Advocacy Program (HICAP)**

1. For HICAP, be able to identify:
  - a. who the program serves;
    - i. for Medicare patients and families;
  - b. its function (free assistance, education, consumer advocacy, legal assistance).
  - c. Department of Aging and local Area Agencies on Aging
  - d. how to locate a local program ([www.calmedicare.org](http://www.calmedicare.org))
  - e. the statewide toll free number 800-434-0222

#### **IV. HEALTH AND DISABILITY INSURANCE**

##### **IV. C. Disability Income Insurance**

1. For disability income insurance be able to identify:
  - a. the need for the coverage;
  - b. definitions of partial and total disability (including Social Security definition) and eligibility requirements;
  - c. the difference between occupational and nonoccupational coverage;
  - d. how federal income tax applies to payments;
  - e. reasons for insurer limitations on coverage amounts.
2. Be able to identify the uses of Disability Income:
  - a. individual disability income policy;
  - b. business overhead expense policy;
  - c. business disability buyout policy;
  - d. group disability income policy;
  - e. key employee and partner policies.
3. Be able to identify how and why each of the following applies to eligibility and/or rating factors to influence rating structures:
  - a. age;
  - b. gender;
  - c. income requirement and "elimination period;"
  - d. job classification;
  - e. avocation;
  - f. health (past and present);
  - g. waiting period
  - h. probationary period

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4. Be able to identify the effect of taxes on the participants and of sponsors of the following:
  - a. group;
  - b. individual;
  - c. franchise.
  
5. Be able to identify each of the following provisions and riders:
  - a. maximum and minimum benefits;
  - b. notice of claim;
  - c. automatic increase provision;
  - d. beneficiary;
  - e. own occupation;
  - f. cost of living rider;
  - g. benefit period;
  - h. Social Security benefit rider;
  - i. benefit integration;
  - j. residual;
  - k. rehabilitation;
  - l. recurring disability;
  - m. transplants;
  - n. standard exclusions & limitations;
  - o. return of premium rider.

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### **APPENDIX A**

#### **Ethics and California Insurance Code (12 hour) Educational Objectives**

The “General” Ethics and California Insurance Code educational objectives that apply to all lines of authority appear below. The 12 hours of required Ethics and California Insurance Code education must at a minimum include the material in Appendix A.

##### **I. GENERAL INSURANCE**

##### **I. A. Basic Insurance Concepts and Principles**

1. Be able to identify examples of insurance (Section 22 of the CIC).
2. Be able to identify the definition of insurable events (Section 250 of the CIC).

##### **I. GENERAL INSURANCE**

##### **I. B. Contract Law**

1. Be able to identify the term “insurance policy” (Section 380 of the CIC).
2. Be able to identify the meaning and effect of each of the following on a contract:
  - a. fraud (Section 338, 1871.1-1871.4 of the CIC);
  - b. concealment (Section 330-339 of the CIC);
    - i. Be able to identify information that does not need to be communicated in a contract: (Section 333 of the CIC)
      - (1) known information
      - (2) information that should be known
      - (3) information which the other party waives
      - (4) information that is not material to the risk
  - c. warranty (Section 440-445, 447 of the CIC);
    - i. know that a representation in an insurance contract qualifies as an implied warranty.
  - d. materiality (Section 334 of the CIC);
    - i. know that the materiality of concealment is the rule used to determine the importance of a misrepresentation.
  - e. representations (Section 350-361 of the CIC);

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- i. know when a representation can be altered or withdrawn (Section 355 of the CIC)
    - ii. know that a representation is false when the facts fail to correspond with its assertions or stipulations (Section 358 of the CIC).
  - f. misrepresentation (Section 780 -784 of the CIC).
3. Be able to identify six required specifications for all insurance policies (Section 381 of the CIC)
- a. know that the financial rating of the insurer is not required to be specified in the insurance policy (Section 381 of the CIC).
4. Be able to identify:
- a. the meaning of the term rescission;
  - b. when an insurer has the right of rescission (Section 331, 338, 359, 447 of the CIC).
    - i. know that either intentional or unintentional concealment entitles an injured party to rescission of a contract (Section 331 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C1. Distribution Systems**

1. Be able to identify a definition of the following marketing systems:
- a. agency;
  - b. direct response;
  - c. home service.

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C2. Producers**

1. Be able to identify the Code definition of transact and why the definition is important (Section 35, 1621-1624, 1631, 1633 of the CIC).
2. Be able to identify what constitutes transaction of insurance (Section 35 of the CIC):
- a. solicitation, (Section 35(a) of the CIC);
  - b. negotiation, (Section 35(b) of the CIC);
  - c. execution of a contract of insurance (Section 35(c) of the CIC);
  - d. Transaction of matters subsequent to and arising out of a contract of insurance (Section 35[d] of the CIC).

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3. Be able to identify:
  - a. that the Code prohibits certain actions by unlicensed persons (Section 1631 of the CIC);
  - b. the penalty for such ["(a)" above] prohibited actions (Section 1633 of the CIC).
4. Written Consent in Regards to Interstate Commerce (Prohibited Persons in Insurance):
  - a. Be able to identify what conduct is prohibited by Title 18 United States Code Section 1033.
  - b. Be able to identify what civil and criminal penalties apply, Title 18 United States Code Sections 1033 and 1034.
5. Be able to identify the differences between the terms agent and broker with respect to their relationship with insurers and with their insureds.
  - a. insurance agent means a person authorized, by and on behalf of an insurer, to transact all classes of insurance other than life insurance (Section 31 of the CIC).
  - b. insurance broker means a person who, for compensation and on behalf of another person, transacts insurance other than life with, but not on behalf of, an insurer (Section 33 of the CIC).
  - c. know that there is no life broker or health broker
6. Be able to identify the Code provisions regarding an accident and health agent acting as an agent for an insurer for which the agent is not specifically appointed (Section 1704.5 of the CIC).
7. Be able to differentiate between an insurance agent, an insurance broker and an insurance solicitor (Section 31, 1621, 33, 1623, 34, and 1624 of the CIC sections).
8. For Insurance Agent's Errors & Omissions insurance, be able to identify:
  - a. the types of coverages available;
  - b. the types of losses commonly covered and not covered;
  - c. the need for the coverage.
9. Be able to identify acts prohibited (unless a surplus lines broker) with regard to nonadmitted insurers (Section 703 of the CIC).
10. Be able to identify the prohibitions of free insurance (Section 777.1 of the CIC).

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11. Be able to identify the Code requirements for the following:
  - a. an agency name, use of name (Section 1724.5, 1729.5 of the CIC);
  - b. change of address (Section 1729 of the CIC);
12. Be able to identify the rules regarding fictitious names (Section 1724.5 of the CIC).
13. Be able to identify the rules regarding Internet advertisements (Section 1726(a) of the CIC).
14. Be able to identify the licensee's duty for disclosure of the effective date of coverage (Section 1730.5 of the CIC).
15. Be able to identify the Code specifications regarding producer application investigation, denial of applications, and suspension or revocation of license (Section 1666, 1668-1669, 1738 of the CIC).
16. Be able to identify the importance and the scope of the California Insurance Code regarding:
  - a. the filing of a notice of appointment (Section 1673, 1704-705 of the CIC);
  - b. an inactive license (Section 1704(a) of the CIC).
  - c. cancellation of a license by the licensee in the licensee's possession or in the employer's possession (Section 1708 of the CIC).
17. Be able to identify the scope and effect of the Code regarding termination of a (producer's) license, including when producers dissolve a partnership (Section 1708-1712.5 of the CIC).
18. Be able to identify and apply:
  - a. the definition of the term "fiduciary;"
  - b. producer fiduciary duties described in the Code (Section 1733 -1735 of the CIC).
19. Be able to identify the continuing education (CE) requirements for:
  - a. agents (Section 1749.3 of the CIC);
  - b. an agent writing Long Term Care Insurance (Section 10234.93 of the CIC);
  - c. agents writing California Partnership coverage must meet California long-term care requirements and training requirements on the California Partnership for Long-Term Care.
    - i. The total hours of CE required are not increased by b. or c.
  - d. life-only agents or accident and health agents also licensed as a fire and

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casualty broker-agent must complete 25 hours of training in the first four 12-month periods for either license.

The following Educational Objective is derived from the codes of ethics of major industry organizations and is the basis for licensing examination questions.

1. Be able to identify and apply the meaning of the following:
  - a. place the customer's interest first;
  - b. know your job - and continue to increase your level of competence;
  - c. identify the customer's needs and recommend products and services that meet those needs;
  - d. accurately and truthfully represent products and services;
  - e. use simple language; talk the layman's language when possible;
  - f. stay in touch with customers and conduct periodic coverage reviews;
  - g. protect your confidential relationship with your client;
  - h. keep informed of and obey all insurance laws and regulations;
  - i. provide exemplary service to your clients;
  - j. avoid unfair or inaccurate remarks about the competition.
2. Be able to identify that the California Insurance Code (CIC) and the California Code of Regulations (CCR) identify many unethical and/or illegal practices, but they are NOT a complete guide to ethical behavior (CIC, CCR).
3. Be able to identify special ethical concerns that may occur when dealing with Senior Citizens regarding pretext interviews (Section 791.03 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C3. Insurers**

1. Be able to differentiate between:
  - a. admitted and nonadmitted insurers (Section 24-25 of the CIC);
  - b. domestic, foreign, and alien insurers (Section 26-27 of the CIC);
2. Be able to differentiate between regulation of an admitted insurer and non-admitted insurer, and the potential consequences for consumers (Section 24, 25, 1760 through 1780 of the CIC);
3. Be able to identify the penalty for unlawfully acting as an insurer without a certificate of authority, (Section 70(b) of the CIC).

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4. Be able to identify who may be an insurer (Section 150 of the CIC).
  - a. person, association, organization, partnership, business trust, limited liability company or corporation (Section 19 of the CIC).
5. Be able to differentiate between Mutual, Stock and Fraternal insurers.
  - a. know that de-mutualization is a process whereby a mutual insurer becomes a stock company (Section 11535 of the CIC).

#### **I. GENERAL INSURANCE**

##### **I. C. The Insurance Marketplace**

##### **I. C4. Market Regulation – General**

1. Be able to identify:
  - a. the California Insurance Code and how it may be changed (Code);
  - b. the California Code of Regulations (CCR Title 10, Chapter 5) and how it may be changed (Code);
  - c. how the insurance commissioner is selected and the responsibilities of the position (Section 12900, 12921 of the CIC).
2. Be able to identify the correct application of the Unfair Practices article, including its prohibitions and penalties (Section 790-790.10 of the CIC).
3. Be able to identify the privacy protection provisions of:
  - a. the Gramm-Leach-Bliley Act
    - i. Be able to explain the rules regarding the collection and disclosure of customers' personal financial information by financial institutions;
    - ii. Be able to identify the requirements for all financial institutions to design, implement and maintain safeguards to protect customer information.
  - b. The California Financial Information Privacy Act (SB 1)
  - c. Insurance information and Privacy Protection Act regarding practices, prohibitions and penalties (Section 791-791.26 of the CIC);
  - d. Cal-GLBA/"California Financial Information Privacy Act" Section 4050 CA Financial Code.
4. Be able to identify the scope and correct application of the conservation proceedings described in the Code (Section 1011, 1013, and 1016 of the CIC).
5. Be able to define an insolvent insurer (Section 985 of the CIC):
  - a. the definition of an insolvent insurer includes either:



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- i. Any impairment of minimum "paid-in capital" or "capital paid in," as defined in Section 36, required in the aggregate of an insurer by the provisions of this code for the class, or classes, of insurance that it transacts anywhere;
    - ii. An inability of the insurer to meet its financial obligations when they are due;
  - b. know that an insurer cannot escape the condition of insolvency by being able to provide for all its liabilities and for reinsurance of all outstanding risks. An insurer must also be possessed of additional assets equivalent to such aggregate "paid-in capital" or "capital paid in" required by this code after making provision for all such liabilities and for such reinsurance (Section 985.(a) [1 and 2] of the CIC);
  - c. know the definition of Paid-in Capital (Section 36 and 985 of the CIC);
  - d. know that it is a misdemeanor to refuse to deliver any books, records, or assets to the Commissioner once a seizure order has been executed in an insolvency proceeding (Section 1013 of the CIC).
6. Be able to identify:
- a. common circumstances that would suggest the possibility of fraud;
  - b. efforts to combat fraud (Section 1872, 1874.6, 1875.8, 1875.14, 1875.20, 1877.3(b)(1) of the CIC);
  - c. that if an insured signs a fraudulent claim form, the insured may be guilty of perjury.
7. Be able to identify the scope and correct application of the False and Fraudulent Claims article of the Code (Section 1871, 1871.4 of the CIC).
8. Be able to identify the meaning of (as used in the CIC):
- a. shall and may (Section 16 of the CIC);
  - b. person (Section 19 of the CIC).
9. Be able to identify the requirements for notice by mail (Section 38 of the CIC).

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### **I. GENERAL INSURANCE**

#### **I. C. The Insurance Marketplace**

##### **I. C5. Fair Claims Settlement Practices Regulations**

1. Be able to identify a definition of the following:
  - a. Claimant (Section 2695.2(c), Title 10 of the CCR);
  - b. Notice of Legal Action (Section 2695.2[o], Title 10 of the CCR);
  - c. Proof of Claims (Section 2695.2[s], Title 10 of the CCR);
2. Be able to identify File and Record Documentation (Section 2695.3, Title 10 of the CCR);
3. Be able to identify Duties Upon Receipt of Communications (Section 2695.5, Title 10 of the CCR);
4. Be able to identify Standards for Prompt, Fair and Equitable Settlements (Section 2695.7(a), (b), (c), (g), and (h), Title 10 of the CCR)